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Los Angeles Times
latimes.com.<http://www.latimes.com/news/local/la-me-duke29jun29,1,3058283.story>

Cunningham Receives Subpoena

A federal grand jury seeks the records on the San Diego congressman's home sale to a military contractor.

By Tony Perry
Times Staff Writer

June 29, 2005

SAN DIEGO — Rep. Randall "Duke" Cunningham (R-San Diego) has been subpoenaed by a federal grand jury to produce documents about his controversial home sale to a military contractor, Cunningham's lawyer in Washington announced Tuesday.

"My client has directed me to comply with the subpoena as expeditiously as possible and he has instructed his staff to cooperate with these documents requests," attorney K. Lee Blalack II said in a statement.

Cunningham's office declined comment, referring all inquiries to Blalack.

The U.S. attorney's office also declined comment.

The FBI and U.S. attorney's office are probing the November 2003 sale of Cunningham's home in Del Mar Heights for \$1,675,000 to Mitchell Wade, president and chief executive of Washington-based MZM Inc.

Wade bought the house sight unseen, according to an MZM spokesman. He sold the house seven months later for a \$700,000 loss, which critics suggest is proof that he paid an inflated price to funnel money to the congressman, who has supported his firm's bid for contracts.

Also on Tuesday, MZM announced that Wade has been replaced by James C. King, a retired Army lieutenant general with expertise in the gathering and analysis of intelligence. Two other executives have voluntarily resigned, the Washington-based company said.

MZM, founded by Wade in 1993, has received \$63 million in government contracts, mostly to provide classified intelligence programs.

The Pentagon has ordered a halt to new contracts for MZM because of a change in the procurement law that had allowed some companies to get contracts without a bidding process. The halt was unrelated to the Cunningham investigation.

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Cunningham, 63, an eight-term Republican from northern San Diego County, is a member of the Defense Appropriations Subcommittee and the Select Committee on Intelligence and is chairman of the House Subcommittee on Intelligence, Analysis and Counterintelligence.

Last week, Cunningham issued a statement explaining that the home sale to Wade was an exercise in poor judgment.

But he insisted he has done nothing improper and has not given the firm preferential treatment.

Adding to the controversy, Cunningham has been living aboard Wade's 42-foot yacht, the Duke Stir, for more than a year. The boat is berthed at the Capital Yacht Club on the Potomac River.

In his statement, Cunningham said that he has paid \$13,000 in berthing fees and maintenance costs while living aboard the yacht.

Blalack, a member of the firm O'Melveny & Myers, specializes in cases involving congressional and regulatory investigations. His corporate clients have included Merck Inc., Ford Motor Co., ImClone Systems and the former chief executive of Enron.

After selling the Del Mar Heights home, Cunningham and his wife, Nancy, an official with the U.S. Department of Education, paid \$2.5 million for a home in Rancho Santa Fe.

Cunningham said Wade bought the Del Mar Heights house because his firm had a project at the Marine Corps air base in San Diego.

Citizens for Responsibility and Ethics in Washington, a nonprofit watchdog group, filed a Freedom of Information request for documents showing whether Cunningham has contacted the Pentagon and Department of Homeland Security on Wade's behalf.

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